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UNCLAS TAIPEI 003509

SIPDIS

STATE FOR EAP/RSP/TC AND EB/TPP/ABT, STATE PASS AIT/W,
DHS/CUSTOMS, DHS/CUSTOMS FOR JANEST LABUDA, USTR FOR DAVID
SPOONER, COMMERCE FOR JAMES LEONARD

E.O. 12958: N/A

TAGS: [ETRD](#) [EIND](#) [KTEX](#) [TW](#)

SUBJECT: TAIWAN RESPONSE TO TEXTILE TRANSSHIPMENT MOU
DEMARCHE

REF: STATE 224893

1. This is an Action Request. Please see Para 8.
2. Summary: AIT/T delivered reftel demarche to Taiwan's Board of Foreign Trade (BOFT) Import/Export Director Peter Ho November 5. Ho was accompanied by several staff and representatives from the Taiwan Textile Federation (TTF). Ho protested that there was not enough time to fully consult with manufacturers before the end of 2004. He had several concerns on the draft Memorandum of Understanding (MOU), most significantly the question of whether Taiwan could provide manufacturer (as opposed to exporter) information on the invoice, and whether this MOU would require Taiwan to retain some type of licensing requirement for textile exporters. He asked that AIT/T request additional information from Washington agencies on these and other questions in order to allow him to discuss the MOU with appropriate government offices and private industry contacts. The TTF representatives suggested that its members might be reluctant to support such an MOU. End summary.
3. AIT/T shared the text of the draft MOU with BOFT November 5 and discussed the possibility of signing such an agreement. Ho began by noting that AIT and TECRO had been negotiating a textile transshipment agreement in 2001, but that those discussions had been suspended. He protested the short time frame, noting that the Agreement on Textiles and Clothing (ATC) is scheduled to expire January 1, 2005. Ho objected that it would be very difficult to consult within the government and with manufacturers in time to have an agreement ready to be signed before January 1. He then outlined several specific concerns with the draft MOU.
4. Ho noted that with the end of the Multi-fiber Arrangement (MFA) and the ATC, many of the U.S. laws and regulations that governed trade in textiles might lapse. He requested information regarding new U.S. regulations governing textile trade after January 1, 2005. BOFT was concerned that the MOU would require Taiwan to revise its regulations to mandate that manufacturer information be included on invoices and other documentation. Currently, only export information is required. Ho wondered if this kind of requirement by the U.S. would violate WTO principles. Econoff reminded BOFT that this draft MOU was based on one that was currently being negotiated with Hong Kong and that voluntary regulation to prevent illegal transshipment would not violate WTO rules.
5. BOFT and TTF expressed concern that Taiwan manufacturers could react negatively to provisions allowing for joint visits to determine whether rules of origin were being circumvented. TTF representatives advised that many manufacturers were eagerly looking forward to expected savings from reduced regulatory requirements when the MFA and ATC go out of force. They would not likely be eager to continue devoting resources to complying with a new licensing or inspection regime.
6. BOFT also questioned whether all textile products would be covered by the proposed MOU or just those at risk of transshipment. Ho asked whether Hong Kong and Macao were planning to continue their current licensing regime or adopt some other mechanism to certify textile exporters. He also suggested including language from the abandoned 2000 draft textile transshipment MOU that would require the U.S. to provide prior notice when denying entry.
7. Comment: The initial reaction from BOFT to signing the proposed draft MOU indicates that more work needs to be done to educate the government and industry about the need for this agreement. While BOFT is willing to consider signing an MOU, given the short time horizon, it is not likely that an agreement can be reached before the end of 2004 without a significant investment of resources.
8. Action Request: Please provide answers to BOFT questions contained in Paras 4-6 and advise whether EB/TPP/ABT and USTR would be willing to allow for more time to negotiate an agreement that could be signed early in 2005.
PAAL